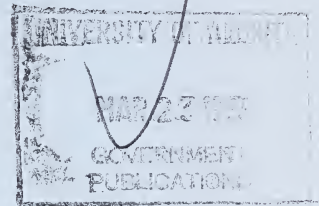


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1991-92**

**volume 3 — summary
financial
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**Manitoba
Finance**



for the year ended March 31, 1992

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 1992 consists of three volumes:

VOLUME 1 contains the Financial Statements of the Consolidated Fund of the Province and schedules of supporting information.

VOLUME 2 is a supplementary volume which contains further details of the expenditures of the Consolidated Fund by standard expenditure object codes. It also provides details of the salaries and wages paid to employees as well as payments to corporations, firms, individuals, other Governments and Government Agencies.

VOLUME 3 contains the Summary Financial Statements of the Province. These statements reflect the consolidation of the financial operations of all organizations integral to the overall operations of Government in performing its executive function.

INTRODUCTION TO THE SUMMARY FINANCIAL STATEMENTS

The Summary Financial Statements of the Government of the Province of Manitoba were produced separately as Volume 3 of the Public Accounts for the first time in relation to the fiscal year ended March 31, 1988. This was the first step in the implementation of the recommendations of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants with respect to the Government Reporting Entity. This recommendation requires that

"Government financial statements should consolidate the financial statements of organizations comprising the government reporting entity, except for government enterprises, which should be accounted for by the modified equity method".

The full implementation of this recommendation was a major undertaking. Full consolidation was phased in over a 4-year period culminating with Volume 3 of the Public Accounts for 1990-91. These Summary Financial Statements now represent the Government Reporting Entity.

A list of the Organizations that are representative of the Government Reporting Entity are disclosed in Schedule I of these Summary Financial Statements.

Minister of Finance
January, 1993




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GOVERNMENT OF THE PROVINCE OF MANITOBA**STATEMENT OF RESPONSIBILITY**

Responsibility for the integrity and objectivity of the Summary Financial Statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government Reporting Entity and include a consolidated statement of financial position, a consolidated statement of revenue and expenditure, a consolidated statement of changes in financial position, schedules and notes integral to the statements. Together, they present fairly, in all material respects the financial condition of the Government Reporting Entity at the fiscal period-end and results of operations for the year then ended.

On behalf of the Government

A handwritten signature in black ink, reading "Clayton Manness". The signature is written in a cursive, flowing style.

HONOURABLE CLAYTON MANNESS

Minister of Finance

January, 1993



Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

Under the authority of section 14 of The Provincial Auditor's Act, we have examined the consolidated statement of financial position of the Government of the Province of Manitoba as at March 31, 1992 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended. These summary financial statements are the responsibility of management of the Government of the Province of Manitoba. Our responsibility is to express an opinion on these summary financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Reservation 1

In accordance with the accounting policy stated in Note 1C2c to the summary financial statements, the Government does not fully record its pension liabilities and the costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, contributors to the Teachers' Retirement Allowances Fund and Members of the Legislative Assembly in its summary financial statements. Similarly, in accordance with Note 1C2b, no liability or expenditure is recorded for salary related benefits. These accounting policies are consistent with those of prior years, however they do not result in fair presentation.

Note 15 to the summary financial statements advises that the unfunded pension liabilities are estimated to be \$1,493 million as at March 31, 1992. Salary related benefits for unrecorded vacation pay liabilities approximate \$52 million as at March 31, 1992. Had the Government recorded the unfunded pension liabilities, liabilities for vacation pay and the costs associated with the annual increase in the pension and vacation pay liabilities in its summary financial statements, expenditure and the consolidated net expenditure would be increased by an estimated \$144 million for the year ended March 31, 1992. Also, liabilities and unrealized recovery and the total excess of liabilities over assets and similar items (accumulated deficit) would be increased by an estimated \$1,545 million as at March 31, 1992.

Reservation 2

The preferred shares of Repap Enterprises Inc., included in the consolidated statement of financial position as other long-term investments at \$78 million, have been recorded at their future potential redemption value. The unrealized recovery from the future redemption of the preferred shares of Repap Enterprises Inc., of \$78 million, recognizes that realization of these shares is dependent on the future profitability of Manfor Ltd., or its successor, and other conditions being fulfilled well into the future. Had the unrealized recovery been offset against the value of the shares, assets and liabilities and unrealized recovery would be decreased by \$78 million as at March 31, 1992.

The combined effect of the two reservations is an increase in expenditure and in the consolidated net expenditure of \$144 million for the year ended March 31, 1992. Also, assets would be decreased by \$78 million, liabilities and unrealized recovery would be increased by \$1,467 million and the accumulated deficit would be increased by \$1,545 as at March 31, 1992.

In our opinion, except for the effects of the two reservations as described in the preceding paragraphs, these summary financial statements present fairly, in all material respects, the consolidated financial position of the Government of the Province of Manitoba as March 31, 1992 and the consolidated results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies stated in Note 1 to the summary financial statements.

As required by section 14 of The Provincial Auditor's Act, we report that, in our opinion, the stated accounting policies have been applied, except for the change in recognizing certain liabilities on an accrual basis as explained in Note 17 to the summary financial statements, on a basis consistent with that of the preceding year.



Winnipeg, Manitoba
January 20, 1993

Carol Bellringer, CA
Provincial Auditor

**GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31, 1992
(with comparative figures for 1991)

SCHEDULE		NOTE	(\$ millions)	
			1992	1991
	ASSETS			
	Cash and equivalents.....		798	1,082
II	Amounts receivable.....		308	353
	Loans and advances.....	3	5,322	4,255
III	Equity in Government enterprises.....	4	418	321
	Other long-term investments.....	5	102	102
	TOTAL ASSETS		<u>6,948</u>	<u>6,113</u>
	LIABILITIES AND UNREALIZED RECOVERY			
	Amount owing to the Trust Fund.....	6	1,269	832
IV	Accounts payable, accrued charges, deferred revenue, deferred taxes and unrealized recovery.....		1,005	692
VI	Borrowings.....	7	10,371	9,623
	Provision for foreign currency fluctuation on Manitoba Hydro debt.....	8	1	249
	Unamortized foreign currency fluctuation.....	9	(46)	14
	TOTAL LIABILITIES AND UNREALIZED RECOVERY		<u>12,600</u>	<u>11,410</u>
	EXCESS OF LIABILITIES OVER ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE			
	Excess of liabilities over assets:			
	Beginning of year.....		5,194	5,024
	Prior years' adjustment related to accounting policy changes.....	17	163	-
V	Consolidated net expenditure.....		205	170
	End of year		5,562	5,194
	Serial debentures of school divisions and districts.....	10	90	103
	TOTAL EXCESS OF LIABILITIES OVER ASSETS AND SIMILAR ITEMS		<u>5,652</u>	<u>5,297</u>

Information concerning the Government's guaranteed and indirect liabilities, financial commitments, contingencies and pension liability can be found in Notes 11, 13, 14 and 15.

Trust Fund assets and liabilities at March 31, 1992 were \$2,881 million (1991 - \$2,477 million). Further details are displayed in note 6.

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1992
(with comparative figures for 1991)

	(\$ millions)	
	1992	1991
REVENUE (Schedule V)		
Taxation revenue:		
Corporation income tax.....	105	78
Individual income tax.....	1,218	1,149
Retail sales tax.....	566	606
Fuel taxes.....	204	187
Liquor Control Commission.....	141	136
Levy for health and education.....	189	187
Other taxes.....	328	349
Federal transfers:		
Equalization.....	1,046	970
Health and higher education.....	442	406
Shared cost and other.....	383	373
Fees and other revenue.....	559	589
TOTAL BEFORE EXTRAORDINARY REVENUE	5,181	5,030
Extraordinary revenue:		
Manitoba Hydro foreign exchange (Note 8).....	84	-
Manitoba Public Insurance Corporation reinsurance losses - cancellation of liability.....	32	-
TOTAL REVENUE	5,297	5,030
EXPENDITURE (Schedule V)		
Health.....	1,758	1,664
Education and training.....	1,161	1,141
Family services.....	588	535
Economic and resource development.....	653	630
Assistance to local governments and taxpayers.....	384	385
Justice, administration and other government services.....	485	483
Public debt.....	532	531
TOTAL BEFORE EXTRAORDINARY EXPENDITURE	5,561	5,369
Extraordinary expenditure:		
Canada crop drought assistance.....	38	-
TOTAL EXPENDITURE	5,599	5,369
NET EXPENDITURE	302	339
Increase in equity in Government enterprises (Schedule III).....	(97)	(169)
CONSOLIDATED NET EXPENDITURE	205	170

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1992
(with comparative figures for 1991)

	(\$ millions)	
	1992	1991
Beginning cash and equivalents	<u>1,082</u>	<u>510</u>
Operating transactions:		
Consolidated net expenditure.....	(205)	(170)
Non-cash items included in net expenditure:		
Increase (decrease) in amounts receivable.....	52	(20)
Write-off/down of loans, advances and long-term investments.....	-	2
Increase in valuation allowance charged to expenditure.....	6	-
Energy Rate Stabilization Act - settlement.....	(84)	(13)
Increase in accounts payable, accrued charges, deferred revenue, deferred taxes and unrealized recovery.....	313	24
Amortization of foreign currency fluctuation.....	18	10
Amortization of debt discount.....	9	9
Increase in equity in Government enterprises.....	(97)	(169)
Prior period adjustment.....	(163)	-
Cash and equivalents required for operations	<u>(151)</u>	<u>(327)</u>
Investing transactions:		
Acquired/made.....	(1,478)	(948)
Redeemed/realized.....	323	505
Cash and equivalents required for investing	<u>(1,155)</u>	<u>(443)</u>
Financing transactions:		
Debt issued: foreign.....	1,262	1,199
domestic.....	340	1,009
	<u>1,602</u>	<u>2,208</u>
Debt redeemed: foreign.....	(492)	(343)
domestic.....	(101)	(379)
Payment from provision for foreign currency losses.....	-	(3)
Energy Rate Stabilization Act - settlement.....	(98)	-
Increase in sinking funds.....	(326)	(326)
	<u>585</u>	<u>1,157</u>
Increase in amount owing to trust fund.....	437	185
Cash and equivalents obtained from financing	<u>1,022</u>	<u>1,342</u>
Change in cash and equivalents during period	<u>(284)</u>	<u>572</u>
Ending cash and equivalents	<u>798</u>	<u>1,082</u>

SCHEDULE I

**GOVERNMENT OF THE PROVINCE OF MANITOBA
FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT REPORTING ENTITY**

**CONSOLIDATED FUND:
OPERATING FUND**

SPECIAL FUNDS:

- Fires Prevention Fund
- Fiscal Stabilization Fund
- Holdback Accounts - Builders' Liens and Contractual
- Land Titles Assurance Fund
- Manitoba Law Reform Commission
- Manitoba Lotteries Fund
- Mining Community Reserve
- Veterinary Science Scholarship Fund
- Victims Assistance Fund

CROWN ORGANIZATIONS:

- Alcoholism Foundation of Manitoba
- A.R.M. Industries Inc.
- Board of Administration under the Embalmers and Funeral Directors Act
- Centre Culturel Franco-Manitobain
- Communities Economic Development Fund
- Cooperative Loans & Loan Guarantee Board
- Cooperative Promotion Board
- Criminal Injuries Compensation Board
- Crown Corporations Council
- Deer Lodge Centre Inc.
- Horse Racing Commission
- Legal Aid Services Society of Manitoba
- Manitoba Agricultural Credit Corporation
- Manitoba Arts Council
- Manitoba Boxing and Wrestling Commission
- Manitoba Cancer Treatment and Research Foundation
- Manitoba Centennial Centre Corporation
- Manitoba Development Corporation
- Manitoba Energy Authority
- Manitoba Habitat Heritage Corporation
- Manitoba Hazardous Waste Management Corporation
- Manitoba Health Research Council
- Manitoba Health Services Commission
- Manitoba Hospital Capital Financing Authority
- Manitoba Housing and Renewal Corporation
- Manitoba Milk Prices Review Commission
- Manitoba Properties Inc.
 - Manitoba Properties Leasing Inc.(holding company)
 - Manitoba Properties Management Inc.(holding company)
- Manitoba Research Council
- Public Schools Finance Board
- Rehabilitation Centre for Children
- Universities Grants Commission

SCHEDULE I
(cont'd)**GOVERNMENT ENTERPRISES: (Schedule III)(note 4)****Utilities:**

Manitoba Hydro - Electric Board
Manitoba Telephone System

Insurance:

Manitoba Crop Insurance Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board

Finance:

Liquor Control Commission
Manitoba Lotteries Foundation
Manitoba Text Book Bureau

Resource Development:

A. E. McKenzie Co. Ltd.
Leaf Rapids Town Properties Ltd.
Manitoba Mineral Resources Ltd.
Manitoba Trading Corporation
Manitoba Water Services Board
Moose Lake Loggers Ltd.
Venture Manitoba Tours Ltd.

GOVERNMENT OF THE PROVINCE OF MANITOBA

CONSOLIDATED AMOUNTS RECEIVABLE

AS AT MARCH 31, 1992

(with comparative figures for 1991)

SCHEDULE II

	(\$ millions)	
	1992	1991
TAXATION REVENUE:		
Retail sales tax.....	48	42
Motive fuel tax.....	6	2
Gasoline tax.....	12	9
Tobacco tax.....	11	6
Revenue Act, 1964.....	5	5
	<u>82</u>	<u>64</u>
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Shared cost programs.....	61	127
Canada Mortgage and Housing Corporation.....	8	12
Municipal corporations.....	62	67
Provinces and territories.....	10	8
	<u>141</u>	<u>214</u>
INTEREST INCOME:		
Province of Manitoba sinking fund.....	53	48
Other investments.....	23	26
	<u>76</u>	<u>74</u>
OTHER INCOME:		
Manitoba Hydro.....	8	-
Other agencies.....	1	1
	<u>9</u>	<u>1</u>
	<u>308</u>	<u>353</u>

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT ENTERPRISES
SUMMARY OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1992 *

SCHEDULE III

(with comparative figures for 1991)

(\$ millions)

RESULTS OF OPERATIONS	UTILITIES	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 1992	TOTAL 1991
Revenues:						
From operations	1,323	644	427	46	2,440	2,402
Transfers from Province	-	17	-	2	19	26
Total revenues	<u>1,323</u>	<u>661</u>	<u>427</u>	<u>48</u>	<u>2,459</u>	<u>2,428</u>
Expenses:						
From operations	862	573	218	46	1,699	1,727
Transfers to Province	-	32	201	-	233	191
Public debt	428	-	-	2	430	341
Total expenses	<u>1,290</u>	<u>605</u>	<u>419</u>	<u>48</u>	<u>2,362</u>	<u>2,259</u>
Net income for the year	<u>33</u>	<u>56</u>	<u>8</u>	<u>-</u>	<u>97</u>	<u>169</u>
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	588	286	16	23	913	472
Accounts receivable	204	64	8	9	285	370
Long-term investments	218	755	-	9	982	890
Fixed assets	5,828	28	16	18	5,890	5,217
Other assets	406	38	15	8	467	557
Total assets	<u>7,244</u>	<u>1,171</u>	<u>55</u>	<u>67</u>	<u>8,537</u>	<u>7,506</u>
Liabilities:						
Accounts payable and accrued liabilities	778	154	27	6	965	784
Long-term debt						
-owing to Province	4,493	-	9	14	4,516	3,381
-owing to others	1,270	-	-	2	1,272	1,617
Provision for future benefits						
-Pension obligations **	343	291	2	-	636	725
-Future cost of existing claims	-	701	-	-	701	648
Total liabilities	<u>6,884</u>	<u>1,146</u>	<u>38</u>	<u>22</u>	<u>8,090</u>	<u>7,155</u>
Net assets	<u>360</u>	<u>25</u>	<u>17</u>	<u>45</u>	<u>447</u>	<u>351</u>
Adjustments and eliminations:						
Permanent debt/equity financing	-	-	-	(29)	(29)	(30)
Equity in Government Enterprises	<u>360</u>	<u>25</u>	<u>17</u>	<u>16</u>	<u>418</u>	<u>321</u>

* For Enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

** In addition to these obligations, there are net unrecorded pension liabilities of \$121 million (1991 - \$128).

**GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED ACCOUNTS PAYABLE,
ACCRUED CHARGES, DEFERRED REVENUE,
DEFERRED TAXES AND UNREALIZED RECOVERY**

SCHEDULE IV

AS AT MARCH 31, 1992
(with comparative figures for 1991)

	(\$ millions)	
	1992	1991
Accounts payable.....	579	273
Accrued charges:		
Interest accrued on borrowings and trust funds.....	232	223
Other accrued liabilities (Note 12):		
Criminal Injuries Compensation Board.....	24	21
Gross Revenue Insurance Plan.....	5	-
Land Acquisition Claims.....	2	2
Manfor Ltd. Divestiture.....	11	10
Manitoba Crop Insurance Corporation.....	4	1
Manitoba Lotteries Holdbacks.....	1	2
Manitoba Milk Producers Marketing Board.....	1	1
Manitoba Public Insurance Corporation.....	-	32
Motive Fuel Tax.....	2	-
Northern Flood Claims Settlements.....	14	-
Other.....	2	2
	<u>66</u>	<u>71</u>
Deferred revenue.....	5	6
Deferred income taxes.....	45	41
Unrealized recovery from future redemption of preferred shares of Repap Enterprises Inc.....	78	78
	<u>1,005</u>	<u>692</u>

GOVERNMENT OF THE PROVINCE OF MANITOBA **SCHEDULE V**
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE BY CATEGORY
FOR THE YEAR ENDED MARCH 31, 1992
(with comparative figures for 1991)

(\$ millions)

REVENUE	OPERATING FUND	SPECIAL FUNDS	CROWN ORGANIZATIONS	ELIMINATIONS	TOTAL 1992	TOTAL 1991
Taxation revenue:						
Corporation income tax.....	105	-	-	-	105	78
Individual income tax.....	1,218	-	-	-	1,218	1,149
Retail sales tax.....	566	-	-	-	566	606
Fuel taxes.....	204	-	-	-	204	187
Liquor Control Commission.....	141	-	-	-	141	136
Levy for health and education.....	189	-	-	-	189	187
Other taxes.....	328	-	-	-	328	349
Federal transfers:						
Equalization.....	1,046	-	-	-	1,046	970
Health and higher education.....	442	-	-	-	442	406
Shared cost and other.....	333	-	50	-	383	373
Fees and other revenue.....	259	80	2,810	(2,590)	559	589
Transfer from (to) Fiscal Stabilization Fund. (30)	(30)	30	-	-	-	-
Transfer from Lottery revenues.....	20	-	-	(20)	-	-
Extraordinary revenue.....	116	-	-	-	116	-
TOTAL REVENUE	4,937	110	2,860	(2,610)	5,297	5,030
EXPENDITURE						
Health.....	1,740	-	1,624	(1,606)	1,758	1,664
Education and training.....	956	-	949	(744)	1,161	1,141
Family services.....	589	-	-	(1)	588	535
Economic and resource development.....	602	-	189	(138)	653	630
Assistance to local governments and taxpayers.....	384	-	-	-	384	385
Justice, administration and other government services.....	475	3	37	(30)	485	483
Public debt.....	487	-	70	(25)	532	531
Transfer to Operating Fund.....	-	66	-	(66)	-	-
Extraordinary expenditure.....	38	-	-	-	38	-
TOTAL EXPENDITURE	5,271	69	2,869	(2,610)	5,599	5,369
NET EXPENDITURE	334	(41)	9	-	302	339
Increase in equity in Government enterprises (Schedule III).....					(97)	(169)
CONSOLIDATED NET EXPENDITURE					205	170

NOTE 1: Included in eliminations are valuation allowances which had been provided in the Operating Fund for certain Crown organizations consolidated herein.

NOTE 2: Revenue from Individual and Corporation income tax has been reduced by \$43 million (1991 - \$49 million) which represents the Municipal share of these taxes which are paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act.

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF BORROWINGS
AS AT MARCH 31, 1992
(with comparative figures for 1991)

SCHEDULE VI

(\$ millions)

	1991				TOTAL	1992				TOTAL
	OPERATING FUND	CROWN ORGANIZATIONS MHRC *	MPI *	OTHER		OPERATING FUND	CROWN ORGANIZATIONS MHRC *	MPI *	OTHER	
11,457		227	364	3	12,051	13,007	226	364	3	13,600
(2,234)		(13)	-	-	(2,247)	(2,669)	(9)	-	-	(2,678)
(135)		-	-	-	(135)	(507)	-	-	-	(507)
(46)		-	-	-	(46)	(44)	-	-	-	(44)
9,042		214	364	3	9,623	9,787	217	364	3	10,371
351		13	(364)	-	-	355	9	(364)	-	-
9,393		227	-	3	9,623	10,142	226	-	3	10,371

* MHRC - Manitoba Housing and Renewal Corporation
MPI - Manitoba Properties Inc.

**GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1992**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies which have been applied in all material respects in the preparation of the Summary Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The audited financial statements of the Consolidated Fund are published in Volume 1 of the Public Accounts. The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

In order to be considered a part of the Government's Reporting Entity, an organization must be accountable for the administration of its financial affairs and resources to a minister of the Government, or directly to the Legislature, and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. The financial operations of organizations which are not part of the Government Reporting Entity are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or
2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or
3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

The various funds, organizations and enterprises comprising the total Government Reporting Entity for the March 31, 1992 Summary Financial Statements are listed in Schedule I.

Health and educational institutions receive most of their financial resources from voted appropriations which are recorded as expenditures. The majority of these, other than those listed in Schedule I, are required to report separately on their stewardship. They are not consolidated in these financial statements.

B. BASIS OF CONSOLIDATION

Special funds and Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education, which remain on a gross basis as operating expenditures and revenue. Where the fiscal year-end of Crown organizations is not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government Reporting Entity. The financial results of enterprises are not restated to March 31 notwithstanding that their fiscal year-end may not be the same as that of the Government Reporting Entity. Inter-entity accounts and transactions are not eliminated, nor are normal inter-entity operating transactions disclosed separately. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule III.

C. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. GROSS ACCOUNTING CONCEPT

Revenues and expenditures are recorded in gross amounts with the following exceptions:

- a) The municipal share of individual and corporation income taxes, which is paid to municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government Reporting Entity.
- b) Refunds of revenue are treated as reductions of current year revenue.
- c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.
- d) Recoveries of the debt servicing costs on self-supporting debt from Government enterprises and other organizations are recorded as a reduction of Public debt expenditure. The same treatment is also given to income earned on investments and advances.

2. MODIFIED ACCRUAL ACCOUNTING

The revenues and expenditures of the Government Reporting Entity are recorded on an accrual basis with exceptions noted as follows:

- a) **REVENUE** - Income taxes are recorded on a cash basis to the extent that receipts are not accrued to the year to which the taxation relates. However, adjustments are made to cash receipts where it is determined that the Government of Canada over or under remitted. Other collections are recorded on a cash basis except for:
 - i) amounts received in April from Agents for provincially collected taxes pertaining to the year just ended which are recorded as revenue receivable;
 - ii) amounts due to the Government resulting from the divestiture of Crown organizations or Government enterprises; and
 - iii) amounts receivable from all levels of government.
- b) **SALARIES AND WAGES** - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.
- c) **PENSION** - Some Crown organizations and Government enterprises record their liability for pension benefits. For the most part, however, the annual cost recorded by the Government Reporting Entity is its share of pensions paid to retired employees, teachers and Members of the Legislative Assembly.

The Government Reporting Entity does not fully record its liability for the annual cost of pension benefits earned by its employees, teachers and Members of the Legislative Assembly.

- d) **CAPITAL ASSETS AND INVENTORIES** - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure.

D. BASIS OF ACCOUNTING FOR ASSETS AND LIABILITIES

1. Financial assets are those on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations. Receivables only include those recorded in the determination of revenue as defined in note 1 C 2a.

Liabilities are claims by other parties on the Government Reporting Entity, with the exception of deferred revenue, deferred income taxes, unrealized recoveries and unamortized foreign currency fluctuation balances.

Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt.

Deferred income taxes are amounts calculated as being income taxes payable except that certain allowances and deductions under the Income Tax Act defer the tax liability to future periods. Manitoba Properties Inc. has recorded deferred income taxes which are available to cover future tax liabilities.

Unrealized recoveries are in relation to the expected redemption value of the Repap Enterprises Inc. shares. Redemption of the shares is mainly dependent on the future profitability of Manfor Ltd. and the fulfilment of other conditions, well into the future.

Notes 1 D 4 and 1 D 5 describe the policies in relation to amortization of foreign currency fluctuation.

2. Capital assets and inventories do not represent financial assets. Therefore they are not reported as assets at fiscal year end.
3. Loans, advances and long-term investments held by the Government Reporting Entity are subject to annual valuation.

A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

Loans, advances or long-term investments may be written-down in the accounts of the Government Reporting Entity, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise it is recorded at cost.

4. Investments included in cash and equivalents and the Province of Manitoba sinking fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining sinking funds are shown at cost and do not reflect any amortization of investment premium or discount.

Investments denominated in foreign currencies are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the

value has been negotiated, in which case that rate or amount is used.

Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

The year end investment translation adjustments reflecting the foreign exchange fluctuation are amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. With the exception of debt issued for the purpose of financing Manitoba Hydro, discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in deferred revenue.

Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account, and are amortized annually to public debt expense over the life of the debt issue.

Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is recorded through the Unamortized Foreign Currency Fluctuation account and is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue, whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

Proceeds of debt which are raised for the purpose of retiring a specific debt issue at a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmaturing provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act, and are reflected as a reduction of Borrowings.

E. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown organizations and Government enterprises and guaranteed by the Government is largely self-supporting. Other debt for schools and hospitals, while not guaranteed by the Government, is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of sinking funds for the retirement of the debt of most Crown organizations and Government enterprises. These sinking funds are held in Trust by the Minister of Finance. The Crown organization or Government enterprise to whom the debt applies make annual contributions to the sinking fund.

Contingent liabilities that result from other financial activities of the Government Reporting Entity are reported in the notes to the summary financial statements.

2. VALUATION ALLOWANCES

A. GOVERNMENT ENTERPRISES - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Valuation allowances for Government enterprises are determined as follows:

1. OPERATING DEFICITS

The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. NON-RECOVERY OF CAPITAL INVESTMENT

A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

If the Government has more than one type of investment in an enterprise (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. OTHER LOANS AND ADVANCES

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

C. OTHER LONG-TERM INVESTMENTS

The valuation allowance is used to record losses that are other than temporary declines in the value of the investments. The valuation allowance is based on an annual valuation of the investment.

3. LOANS AND ADVANCES

These loans and advances have been made by the Government and Crown organizations to Government enterprises and to parties outside of the Government Reporting Entity.

	(\$ millions)		1992	1991
	Government Enterprises	Other	Total	Total
Loan/advance	5,035	619	5,654	4,469
Less: Sinking Funds	310	4	314	197
Valuation Allowance	-	18	18	17
Net	4,725	597	5,322	4,255

4. EQUITY IN GOVERNMENT ENTERPRISES

A Summary of Consolidated Operating Results and Financial Position for Government Enterprises is displayed in Schedule III. The composition of the four categories is described in Schedule I. The category definitions are as follows:

Utilities:

Enterprises which provide public utility services to the public for a fee.

Insurance:

Enterprises which provide insurance coverage services to the public for a fee.

Finance:

Enterprises which provide regulatory control and are revenue generating, or enterprises which use economy of scale to deliver goods to non-Government clients.

Resource Development:

Enterprises charged with the development of various industries and /or the delivery of various products which will assist the Provincial economy.

Included in the Equity in Government enterprises are net assets which are restricted for use and thereby not available to discharge Government liabilities or to finance other Government programs:

	(\$ millions)	
	1992	1991
Manitoba Telephone System	177	163
Manitoba Hydro	183	165
Manitoba Public Insurance Corporation	49	41
Manitoba Crop Insurance Corporation	55	37
Manitoba Water Services Board	1	1
	465	407

5. OTHER LONG-TERM INVESTMENTS

The following amounts include investments in Government enterprises and in other organizations outside of the Government Reporting Entity.

	(\$ millions)			
			1992	1991
	Government Enterprises	Other	Total	Total
Shares:				
Common	19	5	24	24
Preferred	2	78	80	80
Debentures	3	2	5	5
Profit sharing agreement	-	11	11	11
Other	-	2	2	-
	24	98	122	120
Valuation allowance	4	16	20	18
Net	20	82	102	102

6. TRUST FUNDS

Included in the Consolidated Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Government enterprises and other amounts on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. Also included are Trusts established and maintained by Crown organizations which have been consolidated in these Summary Financial Statements.

The assets and liabilities of the combined Trust Funds as at March 31st are as follows:

	(\$ millions)		
	1992	1991	
ASSETS			
Amounts due from Operating Fund	1,269	832	
Cash and investments	828	902	
Total Trust Assets	2,097	1,734	
LIABILITIES			
Trust Funds held by Consolidated Fund-Government enterprises	1,823	1,508	
-Other	229	187	
Trust Funds held by Crown organizations	45	39	
Total Trust Liabilities	2,097	1,734	

In addition to the above Trust Funds, the Government Reporting Entity holds cash and securities for which its responsibility is custodial in nature. The custodial trust amount reported at March 31, 1992 was \$784 million (1991-\$743 million) and includes the estates and trusts under the administration of the Public Trustee of Manitoba.

7. BORROWINGS

A summary of borrowings for the Operating Fund and Crown Organizations is displayed in Schedule VI. All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year-end.

Money is allocated annually to sinking funds on the following basis:

- A. a sum equal to 3% of the aggregate amount of debt related to general government programs, in Canadian dollars converted at the date of issue, outstanding at the end of the preceding fiscal year;
- B. all earnings derived from investing the sinking fund;
- C. all principal repayments of advances are allocated to the sinking fund and will be utilized to retire the related outstanding debt as such debt matures; and
- D. the Manitoba Housing and Renewal Corporation makes an annual payment based on 1% of debt and Provincial advances outstanding at the previous fiscal year end plus 4% of the sinking fund balance at the end of the preceding fiscal year.

In addition, two Government enterprises, the Manitoba Hydro-Electric Board and the Manitoba Telephone System have established sinking funds for the orderly retirement of their debt. Each makes annual contributions based on 1% of debt and Provincial advances outstanding at the preceding fiscal year end plus 4% of the sinking fund balance at the end of the preceding fiscal year.

8. PROVISION FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April 1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account to cover the total fluctuation in the value of this foreign debt.

In May, 1990 the Province and Manitoba Hydro entered into an agreement which provides that the settlement amount in respect of each United States dollar denomination debt issue governed by The Energy Rate Stabilization Act be calculated using a currency exchange rate of \$1.21. The Province's liability in relation to foreign exchange fluctuations on these debt issues, as a result of the agreement, is fixed at \$183 million at March 31, 1991.

Effective January 2, 1992, the Province and Manitoba Hydro entered into an agreement which provides for the present value settlement of the Province's liability to Manitoba Hydro under the Energy Rate Stabilization Act in respect to debt denominated in United States dollars. The agreement fixed such present value at \$98 million which was paid to Manitoba Hydro as of January 2, 1992. The provision account balance at March 31, 1992 in the amount of \$1 million is in respect to a Swiss France denominated Bond issue maturing on May 18, 1992, and was paid to Manitoba Hydro on May 18, 1992. The balance of \$84 million, remaining in the Province's account after settlement of the amounts previously referred to, was transferred as an extraordinary revenue item in the Operating Fund.

9. UNAMORTIZED FOREIGN CURRENCY FLUCTUATION

This balance represents the unamortized portion of unrealized foreign currency gains or losses on the conversion of the assets and liabilities of the Government to Canadian dollars at March 31. It also includes the unamortized portion of realized foreign currency gains or losses on the conversion of the foreign currency debt called prior to maturity using the rates in effect at the time of the call.

10. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Operating Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

The principal repayments related to these debentures are as follows:

	(\$ millions)						
due in	1993	1994	1995	1996	1997	1998-2003	TOTAL
	12	12	12	12	11	31	90

11. GUARANTEED AND INDIRECT LIABILITIES

The following comprises debt issued by Crown organizations not consolidated herein and by Government enterprises, which is guaranteed by the Government as at March 31st:

	(\$ millions)	
	1992	1991
Debt of Provincial utilities, cities and towns	1,295	1,749
Debt serviced in whole or in part from the Consolidated Fund	5	10
	1,300	1,759
Less: Applicable sinking funds	179	304
	1,121	1,455

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for foreign currency fluctuation on Manitoba Hydro debt.

12. OTHER ACCRUED LIABILITIES

The Government Reporting Entity has accrued a liability of \$66 million (1991 - \$71 million) at March 31st for losses or program expenditures in order to recognize the Province's responsibility to fund these amounts when they become payable.

The Province of Manitoba is party to the Gross Revenue Insurance Plan (G.R.I.P.) agreement dated September 17, 1991 with the Government of Canada. This agreement will terminate March 31, 1996 unless terminated earlier in accordance with terms of the agreement. Manitoba Crop Insurance Corporation administers G.R.I.P. for the Province. The operating results at March 31, 1992 were as follows:

	(\$ millions)
Revenue: Premiums from insureds and interest	57
Premiums- Government of Canada contribution	115
Premiums- Manitoba Agriculture contribution	49
	221
Expenditure	330
Net shortfall	109

The Governments of Manitoba and Canada are responsible for providing advances to fund shortfalls on a 35:65 basis. Accordingly, the Consolidated Fund is responsible for \$38 million of the March 31, 1992 shortfall. The Province has provided for \$5 million of this shortfall in its accounts as at March 31, 1992. Repayment of advances will depend on future premiums exceeding future claims.

13. FINANCIAL COMMITMENTS

The Government Reporting Entity has approved long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from the Operating Fund. The Government Reporting Entity has also made future commitments under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	(\$ millions)	
	1992	1991
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals and Personal Care Homes	528	487
Public Schools	317	306
Repap Pulp and Paper Inc. (Divestiture of Manfor Ltd.)	150	150
Brandon University	2	2
Manitoba Water Services Board	2	2
	999	947
	Government Enterprises	Other
	Total	Total
FUTURE COMMITMENTS:		
Acquisition of physical assets	202	188
Rental of physical assets	32	83
Housing construction and renovations		14
	234	285
	519	1,043
	1,518	1,990

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to \$172.5 million (1991-\$168.5 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

14. CONTINGENCIES

The Government Reporting Entity has provided guarantees for the following and accordingly has a contingent liability in the event of default:

		(\$ millions)	
	Maximum	Amount Outstanding 1992	1991
Province of Manitoba			
Mortgages	1	1	1
Promissory notes	180	7	16
Bank loans and lines of credit	31	20	22
	212	28	39
Crown organizations			
Mortgages		16	17
Guaranteed operating loans		5	5
		21	22

The Government has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including \$53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government is party to an agreement with the Hudson Bay Mining and Smelting Company (HBMS) in relation to the Ruttan Mine whereby, upon closure, it is committed to paying environmental clean-up costs, certain Hydro charges and the municipal tax liability in excess of the limit set as HBMS's share. The extent of this potential liability is not quantifiable at this time.

The Government Reporting Entity has been named in various legal actions and claims, as can be expected by the multiplicity of endeavours encompassed by its operations. The magnitude of each action and claim varies substantially, and only two are considered to be of potential significance:

Mitigation Commitments:

The Province of Manitoba is party to an agreement dated December 16, 1977 with the Government of Canada, Manitoba Hydro and the Northern Flood Committee Inc., which includes compensation and mitigation for the impact of the Churchill River Diversion and Lake Winnipeg Regulation project. Seventy-three claims in which the Province is named as a respondent have been filed with the Arbitrator. Forty have been satisfied or have interim settlements and thirty-three have yet to be determined at March 31, 1992. The Province's contingent liability is estimated to be in excess of \$25.0 million.

Manitoba Hydro is named as a respondent in 142 claims filed with the Arbitrator; 82 have been satisfied or have interim settlements and 60 have yet to be determined at March 31, 1992.

Expenditures towards the mitigation of the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects amounted to \$47.5 million for the year ended March 31, 1992 (1991-\$7.0 million). This includes a provision of \$30.7 million in settlement of obligations to the Split Lake Cree First Nation as well as expenditures of \$7.9 million

towards construction of the Cross Lake Weir. In addition, mitigation payments totalling \$11.4 million were made to Grand Rapids First Nation, The Pas Indian Band and the Community of Cormorant for the settlement of outstanding responsibilities related to the development of the Grand Rapids Generating Station.

In recognition of the anticipated mitigation settlements to be incurred, the Corporation has recorded a mitigation liability of \$55.0 million. Reassessments of this liability will be made as settlements are achieved.

Canadian National Railways (CNR)

The CNR has requested a declaration that the Retail Sales Tax Act does not apply to railway stock and repair costs, or in the alternative, if it does, that the legislation is ultra vires. CNR is requesting a refund of Sales Tax it has paid in relation to the goods and services in question.

No provision has been made at March 31, 1992 in the accounts of the Province as the outcome of these actions and claims are uncertain.

15. PENSION LIABILITY

The Government Reporting Entity is required by legislation to pay 50% of the pension disbursements made to retired employees and to retired contributors to the Teachers' Retirement Allowances Fund. Such payments are charged to operations as incurred and, for the most part, no provision is made to fund current or past service obligations of the Government Reporting Entity to the Civil Service Superannuation Fund or to the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds mainly represent only the employees' obligation towards the total pension liability.

An actuarial valuation and report of the liability to each of the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund was determined as at December 31, 1989. The report also provided a formula to update the liability on an annual basis.

In addition, the Government is required to pay all of the pension disbursements made to retired Members of the Legislative Assembly (MLA's) in accordance with the Legislative Assembly Act. Members' contributions, as deducted from their remuneration, are treated as revenue of the Government. An actuarial valuation at December 31, 1991 determined the Government's liability to be \$24 million. This pension is fully indexed to cost of living increases. The report did not include a formula to update the liability annually.

The unrecorded pension liability for the Government and Crown organizations is as follows:

	(\$ millions)	
	1992	1991
Civil Service Superannuation Fund:		
Operating Fund	533	481
Crown organizations	35	34
M.L.A.'s (as at December 31, 1991)	24	24
Teachers' Retirement Allowances Fund	779	698
TOTAL	1,371	1,237

The figures for the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund do not make any provision for future indexation. However, both Funds provide for annual indexing on the condition that the adjustment does not create an actuarial unfunded liability. At December 31, 1991 the Civil Service Superannuation Fund has a reserve of \$60 million (1990 - \$56 million) and the Teachers' Retirement Allowances Fund has a reserve of \$62 million (1990 - \$56 million) for future indexation. Therefore the liability for these two pension plans would be increased by these amounts.

16. LEGISLATIVE AUTHORITY FOR EXPENDITURE (APPROPRIATION ACTS)

- A. The following voted appropriations of the Government were placed in a net overexpended position as a result of adjustments made to reflect accounting policies on valuation allowance and Crown corporation deficits:

Natural Resources XII-8 - Fisheries	\$1,176,425
Environment XXXI-2 - Environmental Management	\$1,088,296

- B. The following voted appropriation of the Government was placed in a net overexpended position as a result of decisions to accrue liabilities which had not been quantified until after March 31, 1992:

Northern Affairs XIX-3	
Agreements Management and Co-ordination	\$5,470,034
Allowance for Losses and Expenditures incurred by Crown Corporations and Other Provincial Entities XXXV-1	
Allowance for Losses and Expenditures	\$2,189,491

- C. In addition, 6 other appropriations of the Government had late accounts paid in the 1992-93 fiscal year which were in excess of the balance remaining in the appropriations by \$2.3 million at March 31, 1992. These late accounts paid subsequent to 45 days after year end are excluded from March 31, 1992 liabilities by the existing accounting policy. These late accounts result in non-compliance with appropriation limits established for the respective programs.

17. CHANGES IN ACCOUNTING POLICY

It is the Government's practice to prospectively reflect the effects of changes in accounting policy on prior years in the Excess of Liabilities over Assets. Prior year balances are therefore not restated. The following changes are disclosed in accordance with Section 10 of the Financial Administration Act.

A. Manitoba Tax Credit Programs

Prior to 1991-92, tax credits claimed by Manitoba residents on their income tax returns were recognized as expenses on a cash basis. A change was made for the 1991-92 fiscal year where an estimate of this liability is accrued at March 31, 1992. The result of this change is an addition of \$153 million to the accumulated deficit, an increase to current year expenditure of \$4 million and an increase to recorded liabilities of \$157 million.

B. Northern Flood Claims Settlements

Prior to 1991-92, the cost of payments made in relation to settlements signed under the Northern Flood Agreement were recorded on a cash basis. Beginning in 1991-92, the liability reflecting future payments required under signed agreements in settlement of legal disputes are accrued as a liability. The effect of this change at March 31, 1992 is to record an increase to the accumulated deficit of \$9 million, an increase to current year expenditure of \$5 million and an increase to recorded liabilities of \$14 million.

C. Motive Fuel Tax

Prior to 1991-92, motive fuel tax refunds to railways were recorded on a cash basis. Beginning in 1991-92, the estimated liability is recorded at March 31 for refunds due in relation to revenue collected during the fiscal year just ended. The effect of the change is an addition of \$1 million to the accumulated deficit, a decrease to current year revenue of \$1 million and an increase to recorded liabilities of \$2 million.

18. SUBSEQUENT EVENTS

- A. In June 1992, the Government and Manitoba Hydro agreed that, in consideration for Manitoba Hydro assuming obligations totalling approximately \$43 million with respect to payments related to Hydro development projects, water power rental charges to Manitoba Hydro will be fixed at current rates until 1996.
- B. In August 1992, the Government entered into an agreement designed to ensure that the Winnipeg Jets Hockey Team would remain in Winnipeg for the foreseeable future. Certain conditions in the agreement create contingent liabilities for the Government. These contingencies are not quantifiable at this time.
- C. In December 1992, Ontario Hydro terminated a System Participation Agreement with Manitoba Hydro for a firm power purchase of 1000 megawatts commencing in the year 2000 and extending for 22 years. As a direct result, Manitoba Hydro has halted construction of the development of the Conawapa Generating Station and associated facilities. Manitoba Hydro will be sending Ontario Hydro a certificate of costs which includes costs that are recoverable under the terms of the agreement. The amount of these costs is not known at this time.
- D. Revenue Canada had under review the acquisition values of the properties purchased by Manitoba Properties Inc. from the Province of Manitoba. This matter has recently been resolved and there is no adjustment to the deferred income taxes at March 31, 1992.

19. COMPARATIVE FIGURES

Certain of the 1991 financial statement figures have been restated to be consistent with the 1992 presentation.

In the preparation of the Summary Financial Statements, the audited financial statements of each organization are not always available for the current year and unaudited figures are used. In the subsequent year, this information is restated, for comparative purposes, to reflect the audited results. There were no significant changes which resulted from this process.

As well, the 1991 figures have been adjusted to reflect any restatements that organizations have made to audited financial statements. These changes, mainly related to Workers Compensation Board, result in an increase of \$64 million in Equity in Government enterprises, an increase of \$1 million in accounts payable, a decrease of \$18 million to Consolidated net expenditure and a decrease of \$45 million to Excess of Liabilities over assets, beginning of year.

The Workers Compensation Board adjustments were made to reflect an actuarial pension study completed in March, 1992, which confirmed the existence of excess provisions for pension obligations, and the accrual of previously unrecorded amounts estimated to be receivable in future years from self-insurers.

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